

**MENOMINEE AREA PUBLIC SCHOOLS**

**Annual Financial Report**

**June 30, 2008**

# MENOMINEE AREA PUBLIC SCHOOLS

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# KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson St., P.O. Box 75 • Marinette, WI 54143  
(715) 735-9321 • Fax (715) 735-5899

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Menominee Area Public Schools  
Menominee, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menominee Area Public Schools (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

To the Board of Education  
Menominee Area Public Schools

The management discussion and analysis and budgetary comparison information on pages 3 through 11 and pages 32 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund schedule and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

October 13, 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**MENOMINEE AREA PUBLIC SCHOOLS**  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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This section of the Menominee Area Public School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. It is to be read in conjunction with the School District's financial statements, which immediately follow.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Menominee Area Public Schools financially. The district-wide financial statements provide information about the activities of the District as a whole, and present a longer-term view of the finances of the District. The fund financial statements tell how the activities of the District were financed in the short-term, as well as what fund balances remain for future spending. Fund financial statements provide more detail about the District's operations than district-wide statements. The structure of the financial statements is as follows:

Management Discussion and Analysis (MD&A)  
(Required Supplementary Information)

Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for the General Fund  
(Required Supplementary Information)

Other Supplementary Information

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and private-purpose trust. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

Summary of net assets:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and June 30, 2007.

	Governmental Activities	
	6/30/08	6/30/07
<b>ASSETS:</b>		
Current	\$ 5,196,998	\$ 4,002,999
Capital Assets – Net of Accumulated Depreciation	4,545,972	4,637,469
Total Assets	<u>9,742,970</u>	<u>8,640,468</u>
<b>LIABILITIES:</b>		
Current Liabilities	3,722,308	2,190,693
Long-Term Liabilities	5,580,917	6,193,126
Total Liabilities	<u>9,303,225</u>	<u>8,383,819</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	(1,108,572)	(1,607,075)
Restricted for Debt Service	256,351	310,642
Unrestricted	1,291,966	1,553,082
Total Net Assets	<u>\$ 439,745</u>	<u>\$ 256,649</u>

Analysis of Financial Position:

During the fiscal year ended June 30, 2008, the District's net assets increased by \$183,096. The prior year net assets also increased by \$187,446. A few of the significant factors affecting net assets during the year are discussed below:

A. Instruction

The District increased classroom and instructional expenses by \$47,309 as compared to the previous year. Most of the increase was due to the teacher's wages in this final year of their negotiated three year contract. There were actually less teaching staff than the previous year. Rather than hire new staff the District looked at ways to better utilize the staff at the Junior High and High School levels. As student population continues to decline, the District's administration will continue to look at sharing instructional responsibility throughout the District to better utilize the services from within. Expenses for instructional materials and supplies were decreased through closer monitoring and vigilance..

B. Support Services

The General Fund transferred \$35,214 to the Blesch Stadium Restoration project. The District purchased a bus in the amount of \$69,361 which was added to the capital assets. The District also added a total of \$117,336 to the capital assets which included extensive repaving of parking lots, bathroom partitions and main office renovations at the high school. In the Guidance area two positions were eliminated, one by retirement and the other replaced a retiree in another area of the District. This change amounted in a savings of \$167,510 to the District. The District also borrowed against state aid payments which resulted in a \$28,598 increase in interest expense.

**MENOMINEE AREA PUBLIC SCHOOLS**

## Management Discussion and Analysis

For the Year Ended June 30, 2008

Analysis of Financial Position (Continued):C. Other Governmental Activities

- Expenses for food service were higher than the previous year, because of increases in food and gas costs.
- Principal payments on debt increased by \$35,000 and interest payments on debt were reduced by \$13,876, due to the revised payment schedule of the 2003 Bond Issue.

D. Revenues

Overall state aid was lower due to declining enrollment. Increasing property values and higher interest rates have resulted in higher property tax revenues and earnings from investments, which has helped to offset the lower state aid revenues. The District realized a slight increase overall in total revenues of \$27,586.

E. Debt

The District made principal payments on bond issues that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance <u>6/30/07</u>	<u>Payments</u>	Principal Balance <u>6/30/08</u>
1992 bonds	\$ 569,544	\$ -	\$ 569,544
2003 bonds	5,675,000	590,000	5,085,000
Durant bonds	<u>121,296</u>	<u>-</u>	<u>121,296</u>
Total long-term bond obligation	<u>\$6,365,840</u>	<u>\$ 590,000</u>	<u>\$5,775,840</u>

F. Investment in Capital Assets

The District's investment in capital assets decreased by \$91,496 during the fiscal year. The District's capital assets are depreciating faster than the District is replacing them. This can be summarized as follows:

	Balance <u>6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/08</u>
Capital assets	\$13,331,251	\$ 186,697	(\$1,428,199)	\$12,089,749
Less: Accumulated depreciation	<u>(8,693,783)</u>	<u>(278,193)</u>	<u>1,428,199</u>	<u>(7,543,777)</u>
Investment in capital assets	<u>\$ 4,637,468</u>	<u>\$ (91,496)</u>	<u>\$ -</u>	<u>\$ 4,545,972</u>

**MENOMINEE AREA PUBLIC SCHOOLS**  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

Results of operations:

For the fiscal years ended June 30, 2008 and June 30, 2007, the District-wide results of operations are as follows:

	<u>6/30/08</u>	<u>6/30/07</u>
Revenues:		
General revenues:		
Property taxes levied for general operations	\$ 2,019,720	\$ 1,959,487
Property taxes levied for debt service	729,302	698,555
State of Michigan unrestricted foundation aid	10,687,819	10,578,762
Other general revenues	<u>150,633</u>	<u>207,947</u>
Total general revenues	<u>13,587,474</u>	<u>13,444,751</u>
Operating grants:		
Federal	300,522	306,738
State of Michigan	<u>1,320,337</u>	<u>1,467,239</u>
Total operating grants	<u>1,620,859</u>	<u>1,773,977</u>
Athletic contributions:		
Athletics	<u>15,880</u>	<u>-</u>
Capital contributions:		
Blesch Stadium Restoration	<u>14,505</u>	<u>128,426</u>
Charges for services		
Food services	324,891	347,220
Other charges for services	<u>131,665</u>	<u>91,603</u>
Total charges for service	<u>456,556</u>	<u>438,823</u>
Total revenues	<u>15,695,274</u>	<u>15,785,977</u>
Expenses:		
Instruction	9,538,467	9,413,120
Support service	4,441,332	4,769,017
Food service	609,357	598,817
Athletics	392,591	322,685
Interest expense	252,238	225,912
Depreciation	<u>278,193</u>	<u>268,980</u>
Total expenses	<u>15,512,178</u>	<u>15,598,531</u>
Increase in net assets	183,096	187,446
Beginning net assets	<u>256,649</u>	<u>69,203</u>
Ending net assets	<u>\$ 439,745</u>	<u>\$ 256,649</u>

## MENOMINEE AREA PUBLIC SCHOOLS

Management Discussion and Analysis  
For the Year Ended June 30, 2008

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### State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student Enrollment-Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- The District's non-homestead levy

### Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Menominee Area Public Schools foundation allowance was \$7,204 per student for the 2007-2008 school year. The State also included a separate line item – Declining Enrollment – which amounted to an additional \$10 per student.

### Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,808 students. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2007-2008	1808	(25)
2006-2007	1833	(33)
2005-2006	1866	(87)
2004-2005	1953	(38)
2003-2004	1991	(8)
2002-2003	1999	(35)

Subsequent to year-end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments may decline by about 20 students from 2007-2008 fall count.

### Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2007-2008 fiscal year was \$2,019,720. The non-homestead tax levy increased by 3.07% over the prior year.

## MENOMINEE AREA PUBLIC SCHOOLS

### Management Discussion and Analysis For the Year Ended June 30, 2008

#### Property Taxes levied for General Operations (General Fund Non-Homestead Taxes) (Continued)

The following summarizes the District's non-homestead levy the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase from Prior Year</u>
2007-2008	2,019,720	3.07%
2006-2007	1,958,487	6.94%
2005-2006	1,832,363	4.13%
2004-2005	1,759,606	3.24%
2003-2004	1,704,379	2.24%

Average increase last 5 years 3.92%.

#### Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: Homestead and Non-Homestead.

For 2007-2008, the District's debt millage levy was maintained at the previous year's rate of 2.60 mills which generated revenue of \$729,302.

#### Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults decreased by \$22,327 from the prior school year. This was due to declining enrollment and no increase in lunch prices for FY2007-08. The School Lunch Program saw a reduction in supplemental breakfast funding in the amount of \$4,985.

The total expenses from Food Service operations increased by \$10,539. The significant factor in keeping this increase at a somewhat reasonable level was the availability of Commodity Foods which were cut out in the early spring of the previous year and also the reduction of hours of some cafeteria helpers.

#### GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

##### General Fund Expenditures Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Expenditures Orig. Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Exp. Var. Actual &amp; Orig. Budget</u>	<u>Exp. Var. Actual &amp; Final Budget</u>
2003-2004	14,486,849	14,401,955	14,275,656	(1.48%)	(0.88%)
2004-2005	14,675,508	14,925,532	14,836,770	1.09%	(0.59%)
2005-2006	14,609,658	14,969,645	14,751,313	0.96%	(1.46%)
2006-2007	15,115,749	15,007,911	14,904,387	(1.42%)	(0.69%)
2007-2008	14,751,075	14,528,168	14,469,955	(1.94%)	(0.40%)
Five year average over (under) budget				(0.56%)	(0.80%)

**MENOMINEE AREA PUBLIC SCHOOLS**

## Management Discussion and Analysis

For the Year Ended June 30, 2008

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES (Continued)General Fund Revenue Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Revenues Orig. Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Rev. Var. Actual &amp; Orig. Budget</u>	<u>Rev. Var. Actual &amp; Final Budget</u>
2003-2004	14,310,318	14,368,816	14,335,959	0.18%	(0.23%)
2004-2005	14,477,950	14,532,429	14,540,950	0.44%	0.06%
2005-2006	14,004,888	14,006,438	14,154,280	1.07%	1.05%
2006-2007	14,365,865	14,257,378	14,290,195	(0.53%)	0.23%
2007-2008	13,894,570	14,227,995	14,317,778	2.96%	0.63%
Five year average over (under) budget				0.82%	0.35%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Menominee Area Public Schools amends it budget periodically during the school year. For fiscal year June 30, 2008 the budget was amended in December 2007, April 2008 and June 2008. The June 2008 budget amendment was the final budget for the fiscal year.

General Fund Revenue:

The District's budget for revenues changed as follows during the year:

Total Revenues Original Budget	\$ 13,894,570	100.00%
Total Revenues Final Budget	14,227,995	102.40%
Decrease in Budgeted Revenues	<u>\$ 333,425</u>	<u>2.40%</u>

The final revenue budget reflects the following changes from the original budget:

- The budget for other taxes was increased by \$30,660 to adjust to actual cash receipts for taxes received against commercial forest property. State Aid Foundation for General Education was increased by \$48,393 and Special Education was increased by \$160,686 for a net gain of \$209,079.

## MENOMINEE AREA PUBLIC SCHOOLS

### Management Discussion and Analysis

For the Year Ended June 30, 2008

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#### General Fund Revenue (Continued):

- Med Bill revenue was decreased by \$6,978 to reflect actual cash receipts.
- Athletics donations to be received were unknown until later in the year. The revenue was budgeted for \$15,830 with an additional \$5,000 towards the Blesch Stadium Restoration project.
- A new revenue line item was added for Athletics-Tournaments. The amount of revenue projected was \$40,471 based on actual receipts. This was the first year that all revenue for all tournaments was posted to a revenue account.
- Title I and Title IIA were adjusted to show the correct allocations for the fiscal year. The Title I was increased by \$22,957 and Title IIA increased by \$2,306.
- Vocational education budget was decreased by \$27,281 due to funding changes.
- Miscellaneous grants were awarded and budgeted upon receipt of funds. These included:
  - MiBLSi, Special Ed. Life Skills-Hannahville, Share The Dream-NAESP, MMSTLC Grant-DIISD for total collective revenue of \$37,443.

#### General Fund Expenditures and Transfers Out:

The District's budget for expenditures changed as follows during the year:

Total Expenditures and Transfers Out Original Budget	\$ 14,852,906	100.00%
Total Expenditures and Transfers Out Final Budget	<u>14,600,443</u>	<u>98.30%</u>
Decrease in Budgeted Expenditures and Transfers Out	<u>\$ (252,463)</u>	<u>(1.70%)</u>

Some of the significant expenditure activities for the year include:

- Instructional basic programs were decreased by a total of \$179,114. These changes included retirements and reallocation of personnel according to building grade level needs. Also rather than hiring new staff – consolidation of teaching responsibilities were shared at the Jr. High and High School level within the current staff; thus eliminating the cost of insurance for new hires. Spending on supplies was suspended in April.
- The Guidance area saw the reduction of two guidance counselors – one due to retirement and the other absorbed internally within the district.
- Improvement of instruction was decreased by \$45,297 due to cut-backs in the areas of conferences and supplemental curriculum work by staff.

## **MENOMINEE AREA PUBLIC SCHOOLS**

### **Management Discussion and Analysis**

**For the Year Ended June 30, 2008**

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#### General Fund Expenditures (Continued):

- Transportation budget was decreased by \$16,493 due to over-estimating gasoline expenses for the year and also less repair parts.
- The Operations and Maintenance budget was decreased by \$44,744. There were a number of changes made in this area due to the uncertainty of the cost for utilities (heat and electricity) for the year. Part of this amount also went to technology.
- Technology budget was decreased by \$14,120. Miscellaneous computer supply and software license needs were over-budgeted after estimating allocation for the current year.
- The Athletics budget was increased by \$57,342. This was the first year we posted all tournament revenue into revenue and only listed expenses in the Athletics area. This will give us a better idea of what the true expenses are in the future.
- There was no original budget transfer to Blesch Stadium Restoration Fund. Upon recommendation of the Building and Grounds Committee and the Board of Education – additional panels were installed for bricks that had already been purchased. The amount budgeted in June was \$33,444.
- The transfer from General Fund to Capital Projects was reduced by \$63,000 so as to utilize the funds currently in the Capital Projects. In the new fiscal year – we will transfer all Capital Projects monies into General Fund and thus for the future all funding will be via General Fund. This will eliminate a Fund Balance in the Capital Projects Fund.

#### Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent, Menominee Area Public Schools, 1230 13<sup>th</sup> Street, Menominee, Michigan, 49858 or call 906-863-9951.

## **BASIC FINANCIAL STATEMENTS**

**MENOMINEE AREA PUBLIC SCHOOLS**

## District-Wide Statement of Net Assets

As of June 30, 2008

	<b>Governmental Activities</b>
<hr/>	
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 2,673,126
Receivables	152,152
Due From Other Governments	2,077,135
Due From Other Funds	7,142
Prepaid Expenditures	244,627
Inventory	42,816
<b>Total Current Assets</b>	<u>5,196,998</u>
<b>Noncurrent Assets:</b>	
Capital Assets	12,089,749
Less: Accumulated Depreciation	<u>7,543,777</u>
<b>Total Noncurrent Assets</b>	<u>4,545,972</u>
 <b>TOTAL ASSETS</b>	 <u>9,742,970</u>
 <b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Short-Term Notes Payable	1,500,000
Accounts Payable	29,188
Accrued Salaries	794,471
Accrued Payroll Liabilities and Related Items	434,475
Accrued Interest	81,226
Unearned Revenue	14,180
Current Portion of Long-Term Obligations	868,768
<b>Total Current Liabilities</b>	<u>3,722,308</u>
<b>Noncurrent Liabilities:</b>	
Noncurrent Portion of Long-Term Obligations	<u>5,580,917</u>
 <b>TOTAL LIABILITIES</b>	 <u>9,303,225</u>
 <b>NET ASSETS:</b>	
Invested (Deficit) in Capital Assets, Net of Related Debt	(1,108,572)
Restricted for Debt Service	256,351
Unrestricted	<u>1,291,966</u>
 <b>TOTAL NET ASSETS</b>	 <u><u>\$ 439,745</u></u>

# MENOMINEE AREA PUBLIC SCHOOLS

District-Wide Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs:	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Instruction	\$ 9,538,467	\$ 16,476	\$ 1,320,337	\$ -	\$ (8,201,654)
Support Services	5,443,280	440,080	316,402	14,505	(4,672,293)
Interest on Debt	252,238	-	-	-	(252,238)
Depreciation - Unallocated	278,193	-	-	-	(278,193)
<b>Total Governmental Activities</b>	<u>\$ 15,512,178</u>	<u>\$ 456,556</u>	<u>\$ 1,636,739</u>	<u>\$ 14,505</u>	<u>(13,404,378)</u>
<b>GENERAL REVENUES:</b>					
Property Taxes:					
General Operations					2,019,720
Debt Service					729,302
State of Michigan Aid, Unrestricted					10,687,819
Interest and Investment Earnings					82,257
Miscellaneous					68,376
<b>Total General Revenues</b>					<u>13,587,474</u>
<b>CHANGE IN NET ASSETS</b>					183,096
<b>NET ASSETS - BEGINNING OF YEAR</b>					<u>256,649</u>
<b>NET ASSETS - END OF YEAR</b>					<u>\$ 439,745</u>

See Accompanying Notes

**MENOMINEE AREA PUBLIC SCHOOLS**

Balance Sheet  
Governmental Funds  
As of June 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Investments	\$ 2,346,963	\$ 326,163	\$ 2,673,126
Receivables	144,123	8,029	152,152
Due From Other Governments	2,077,135	-	2,077,135
Due From Other Funds	59,936	57,098	117,034
Prepaid Expenditures	244,627	-	244,627
Inventory	30,799	12,017	42,816
<b>TOTAL ASSETS</b>	<u>\$ 4,903,583</u>	<u>\$ 403,307</u>	<u>\$ 5,306,890</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Short-Term Notes Payable	\$ 1,500,000	\$ -	\$ 1,500,000
Accounts Payable	29,188	-	29,188
Accrued Salaries	794,471	-	794,471
Accrued Payroll Liabilities and Related Items	434,475	-	434,475
Accrued Interest	47,533	-	47,533
Due To Other Funds	57,098	52,794	109,892
Deferred Revenue	8,612	5,568	14,180
<b>Total Liabilities</b>	<u>2,871,377</u>	<u>58,362</u>	<u>2,929,739</u>
<b>FUND BALANCES:</b>			
Reserved	275,426	268,368	543,794
Unreserved:			
Designated	987,072	8,605	995,677
Undesignated	769,708	67,972	837,680
<b>Total Fund Balances</b>	<u>2,032,206</u>	<u>344,945</u>	<u>2,377,151</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,903,583</u>	<u>\$ 403,307</u>	<u>\$ 5,306,890</u>

## MENOMINEE AREA PUBLIC SCHOOLS

### Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets As of June 30, 2008

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 2,377,151</b>
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**Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Capital Assets	12,089,749	
Accumulated Depreciation	<u>(7,543,777)</u>	4,545,972

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Long-term and other liabilities reported in the statement of net assets that are not reported in the balance sheets

General Obligation Debt	(5,775,840)	
Accrued Interest on General Obligation Debt	(33,693)	
Termination Benefits	<u>(673,845)</u>	<u>(6,483,378)</u>

<b>Total Net Assets - Governmental Activities</b>	<b>\$ <u>439,745</u></b>
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**MENOMINEE AREA PUBLIC SCHOOLS**  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Governmental Funds  
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Local Sources	\$ 2,019,720	\$ 1,068,698	\$ 3,088,418
State Sources	11,546,172	21,299	11,567,471
Federal Sources	401,859	271,389	673,248
Interdistrict and Other Sources	350,027	16,110	366,137
<b>Total Revenues</b>	<u>14,317,778</u>	<u>1,377,496</u>	<u>15,695,274</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Basic Programs	7,293,621	-	7,293,621
Added Needs	2,234,685	-	2,234,685
<b>Support Services</b>			
Pupil	460,920	-	460,920
Instructional Staff	149,739	-	149,739
General Administration	523,751	-	523,751
School Administration	869,993	-	869,993
Business Service	194,835	609,357	804,192
Operating and Maintenance	1,518,448	-	1,518,448
Transportation	406,308	-	406,308
Central Services	304,037	-	304,037
Athletics	392,591	-	392,591
<b>Capital Outlay</b>	69,361	130,637	199,998
<b>Debt Service</b>	51,666	797,743	849,409
<b>Total Expenditures</b>	<u>14,469,955</u>	<u>1,537,737</u>	<u>16,007,692</u>
<b>DEFICIENCY OF REVENUE UNDER EXPENDITURES</b>	<u>(152,177)</u>	<u>(160,241)</u>	<u>(312,418)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	-	74,045	74,045
Operating Transfers Out	(74,045)	-	(74,045)
<b>Total Other Financing Sources (Uses)</b>	<u>(74,045)</u>	<u>74,045</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(226,222)	(86,196)	(312,418)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>2,258,428</u>	<u>431,141</u>	<u>2,689,569</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,032,206</u>	<u>\$ 344,945</u>	<u>\$ 2,377,151</u>

## MENOMINEE AREA PUBLIC SCHOOLS

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(312,418)</b>
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***Amounts reported for governmental activities in the statement of activities are different because:***

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities

Capital outlay reported in governmental fund statements	186,697	
Depreciation expense reported in the statement of activities	<u>(278,193)</u>	
Amount by which capital outlays are less than depreciation in the current period		(91,496)

Post employment benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year

Benefits paid in current year	286,235	
Benefits earned in current year	<u>296,396</u>	
Amounts earned are more than amounts paid by		(10,161)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities

The amount of long-term debt principal payments in the current year		590,000
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In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	207,093	
The amount of interest accrued during the current period	<u>214,264</u>	
Interest paid is less than interest accrued by		<u>7,171</u>

<b>Change in Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>183,096</u></b>
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# MENOMINEE AREA PUBLIC SCHOOLS

## Statement of Net Assets

### Fiduciary Funds

As of June 30, 2008

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	Private- Purpose Trust	Agency Fund
<b>ASSETS:</b>		
Cash	\$ -	\$ 180,155
Investments	222,667	-
<b>TOTAL ASSETS</b>	222,667	180,155
<b>LIABILITIES:</b>		
Due to Student Organizations	-	173,013
Due to Other Funds	-	7,142
<b>Total Liabilities</b>	-	180,155
<b>NET ASSETS:</b>		
Reserved for Scholarships	\$ 222,667	\$ -

See Accompanying Notes

# MENOMINEE AREA PUBLIC SCHOOLS

## Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008

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	Private- Purpose Trust
<b>ADDITIONS:</b>	
Gifts and Contributions	\$ 125,534
Investment Income	838
Unrealized Gain on Securities	212
<b>Total Additions</b>	<u>126,584</u>
<b>DEDUCTIONS:</b>	
Scholarships Awarded	<u>111,876</u>
<b>CHANGE IN NET ASSETS</b>	14,708
<b>NET ASSETS - BEGINNING</b>	<u>207,959</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 222,667</u></u>

See Accompanying Notes

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of significant accounting policies of the Menominee Area Public Schools (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**INTRODUCTION**

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

**NATURE OF OPERATIONS**

The District, governed by a seven-member elected school board, operates grades Kindergarten through 12 and is comprised of three taxing districts.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity nor does it have any component units.

**DISTRICT-WIDE STATEMENTS**

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**FUND FINANCIAL STATEMENTS**

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**FUND FINANCIAL STATEMENTS (Continued):**

The District reports the following major governmental fund:

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

The District reports a Private-Purpose Trust Fund. This fund reports a trust arrangement under which principal and income benefit a college scholarship program.

The District accounts for assets held as an agent for various student and parent organizations in an agency fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**CASH AND INVESTMENTS**

State statutes and the District's investment policy authorize the District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligations, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase which mature not more than 270 days after the date of purchase, mutual funds and investment pools that are composed of authorized investment vehicles. The District's deposits are in accordance with statutory authority.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

**PROPERTY TAXES**

The aggregate District tax levy is apportioned and certified by September 30 of the current fiscal year for collection to comprising municipalities based on the immediate past May 25 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full by February 28. The District must be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before June 30, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2008 tax levy is used to finance operations of the District's fiscal year ended June 30, 2008. All property taxes are considered due on February 14, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes.

**CAPITAL ASSETS**

Capital assets are reported at actual or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: building, vehicles and equipment are capitalized using a capitalization threshold of \$5,000. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 20-50 years, buses and vehicles of 5-10 years, and furniture and equipment of 5-20 years.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**INTERFUND ACTIVITY**

The interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon preparation of the district-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the district-wide financial statements.

**UNEARNED/DEFERRED REVENUE**

The District reports unearned revenue on its statement of net assets and deferred revenue on its balance sheet. Deferred revenue arises in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned and deferred revenue also arises when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria is met, or when the District has a legal claim to the resources, the liability for unearned/deferred revenue is removed from the statement of net assets and balance sheet and revenue is recognized.

**COMPENSATED ABSENCES**

The District's policy does not allow accumulated employee benefits for sick pay to vest. Unused accumulated sick pay benefits are forfeited upon retirement or termination of employment.

District employees participate in the Michigan Public School Employees' Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

Early retirement benefits are available to teachers and non-teachers meeting certain requirements. An estimate for early retirement benefits is included as post employment benefits as a long-term liability in the district-wide statement of net assets.

**LONG-TERM DEBT**

The District records governmental fund long-term debt at face value as another financing source, if applicable, and as a liability in the district-wide statement of net assets.

**CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the district-wide statement of net assets. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**FUND EQUITY DESIGNATIONS**

*District-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested (deficit) in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

**NOTE 2 - CASH AND INVESTMENTS:**

Michigan School Code Section 380.1223, authorizes the District to make deposits and invest in:

- a) Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state. In a primary or fourth class school district, the bonds, bills, or notes shall be payable, at the option of the holder, upon not more than 90 days notice, or if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b) Certificates of deposit issued by a financial institution or share certificates of a state or federal credit union that is a financial institution.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 2 - CASH AND INVESTMENTS (Continued):**

- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- h) Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

At June 30, 2008 the bank balance of cash was \$ 870,308. The District maintains its cash accounts at two financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. These balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 for interest bearing and \$100,000 for non-interest bearing accounts per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

The following represents a summary of deposits as of June 30, 2008:

Fully Insured Deposits	\$ 205,344
Uncollateralized	<u>664,964</u>
Total	<u>\$ 870,308</u>

As of June 30, 2008, the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund Plus	\$ 25,885
Common Stocks	72,134
Mutual Funds	<u>2,584,537</u>
	<u>\$ 2,682,556</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

State law limits investments as detailed above. The District's investment policy does not further limit its investment choices. As of June 30, 2008, the District's investments were not rated.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 2 - CASH AND INVESTMENTS (Continued):**

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

For all deposits and investments shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at June 30, 2008.

**NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund transfers are as follows:

<u>Transfer In:</u>	<u>Transfer Out:</u>	<u>Purpose</u>	<u>Amount</u>
Food Service	General Fund	Operating Transfer	\$ 1,831
Blesch Stadium Restoration	General Fund	Operating Transfer	35,214
Building and Site	General Fund	For Projects	37,000
			<u>\$ 74,045</u>

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2008 are detailed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Blesch Restoration	\$ 8,946	Year End Cash Flow Timing
General Fund	Debt Service	156	Year End Cash Flow Timing
General Fund	Building & Site	43,692	Year End Cash Flow Timing
General Fund	Pupil Activity Fund	7,142	Fees Collected by Activity Fund
Food Service	General Fund	6,413	Year End Cash Flow Timing
Debt Service Fund	General Fund	50,685	Year End Cash Flow Timing

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

**NOTE 4 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Building and Building Improvements	\$ 9,376,018	\$ 117,336	\$ -	\$ 9,493,354
Buses and Other Vehicles	1,171,566	69,361	250,970	989,957
Furniture and Equipment	<u>2,783,667</u>	<u>-</u>	<u>1,177,229</u>	<u>1,606,438</u>
 Total Capital Assets Being Depreciated	 <u>13,331,251</u>	 <u>186,697</u>	 <u>1,428,199</u>	 <u>12,089,749</u>
Less Accumulated Depreciation:				
Building and Building Improvements	5,204,941	187,247	-	5,392,188
Buses and Other Vehicles	1,022,057	26,821	250,970	797,908
Furniture and Equipment	<u>2,466,785</u>	<u>64,125</u>	<u>1,177,229</u>	<u>1,353,681</u>
 Total Accumulated Depreciation	 <u>8,693,783</u>	 <u>278,193</u>	 <u>1,428,199</u>	 <u>7,543,777</u>
 Total Capital Assets, Net of Accumulated Depreciation	 <u>\$ 4,637,468</u>	 <u>\$ (91,496)</u>	 <u>\$ -</u>	 <u>\$ 4,545,972</u>

Depreciation expense for fiscal year ended June 30, 2008 amounted to \$278,193.

**NOTE 5 - SHORT-TERM NOTE PAYABLE:**

The District utilizes short-term borrowing from the Michigan Municipal Bond Authority for cash flow purposes. The District borrowed \$1,500,000 at an interest rate of 3.68%, maturing August 20, 2008.

<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

Total interest expense on the short-term note for the year ended June 30, 2008 was \$51,666.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

**NOTE 6 – UNEARNED/DEFERRED REVENUE:**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Grants	\$ 8,612	\$ -	\$ 8,612
School Lunch	-	5,568	5,568
Total	<u>\$ 8,612</u>	<u>\$ 5,568</u>	<u>\$ 14,180</u>

**NOTE 7 - LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2008:

	<b>Balance 7/01/07</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/08</b>	<b>Amount Due Within One Year</b>
1992 Refunding Bond	\$ 569,544	\$ -	\$ -	\$ 569,544	\$ -
2003 Refunding Bond	5,675,000	-	590,000	5,085,000	620,000
1998 Durant Bond	121,296	-	-	121,296	11,433
Post Employment Benefits	663,684	296,396	286,235	673,845	237,335
Total Long-Term Obligations	<u>\$ 7,029,524</u>	<u>\$ 296,396</u>	<u>\$ 876,235</u>	<u>\$ 6,449,685</u>	<u>\$ 868,768</u>

Total interest expense for the year ended June 30, 2008, was \$207,093.

	<b>Issue Dates</b>	<b>Interest Rate</b>	<b>Dates of Maturity</b>	<b>Balance 6/30/08</b>
1992 Refunding Bond	1/5/93	6.69%	05/01/14	\$ 569,544
2003 Refunding Bond	3/25/03	2.25-4.10%	05/01/20	5,085,000
1998 Durant Bond	11/24/98	4.76%	05/13/13	121,296
Total				<u>\$ 5,775,840</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2008 follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 631,433	\$ 189,435	\$ 820,868
2010	676,976	169,671	846,647
2011	274,748	550,288	825,036
2012	282,363	539,521	821,884
2013	265,044	507,701	772,745
2014 - 2018	2,555,276	892,112	3,447,388
2019 - 2020	1,090,000	66,072	1,156,072
	<u>\$ 5,775,840</u>	<u>\$ 2,914,800</u>	<u>\$ 8,690,640</u>

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 8 - NET ASSETS/FUND BALANCES:**

Net assets reported on the District-wide statements of net assets at June 30, 2008 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Capital Assets, Net of Accumulated Depreciation	\$ 4,545,972
Less: Related Long-Term Debt Outstanding	(5,654,544)
Total Invested (Deficit) in Capital Assets	<u>(1,108,572)</u>
Restricted for Debt Service	256,351
Unrestricted	1,291,966
Total Net Assets – District-Wide Statements	<u><u>\$ 439,745</u></u>

Fund balances reported in the governmental fund balance sheet at June 30, 2008 are further classified as follows:

Reserved:	
Inventory	\$ 42,816
Prepaid Expenditures	244,627
Debt Service	256,351
Total Reserved	<u>543,794</u>
Unreserved Designated:	
Unemployment	156,000
Early Retirement Incentive	497,450
Voluntary Severance Retirement	176,395
Insurance	56,000
Central Project	8,500
Lincoln Project	50,052
Blesch Project	32,675
Capital Projects	8,605
Junior High School Project	8,000
High School Project	2,000
Total Unreserved Designated	<u>995,677</u>
Unreserved Undesignated	<u>837,680</u>
Total Governmental Funds' Fund Balance	<u><u>\$ 2,377,151</u></u>

**NOTE 9 - DEFINED BENEFIT PENSION PLAN:**

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):**

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$1,672,647 which consisted of \$1,458,621 from the School District and \$214,026 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The School District's contributions to MPSERS for 2008 was \$1,529,192 and for 2007 was \$1,423,843.

Payroll paid to employees covered by the MPSERS for the year ended June 30, 2008 was \$8,619,237. The School District's total payroll was \$8,842,269.

**Other Post-Employment Benefits**

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS:**

In addition to the pension benefits described in Note 9, the District has early retirement provisions for certain early retirement employees.

The early retirement provision for teachers is available to teachers who have been employed at the District for 10 years and have attained the age of 55. They are eligible to receive \$350 per month paid by the District for 54 months after the effective date of retirement or until the retiree reaches the age of 62, whichever comes first. There were 18 employees who received early retirement pay.

The cost of providing these benefits for eligible participants aggregated \$286,235 for the year ended June 30, 2008. The District has recorded an estimated liability for all future payments to be made under this agreement.

**NOTE 11 - RISK MANAGEMENT:**

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

**NOTE 12 - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS:**

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This Statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension* is effective for the Menominee Area Public Schools for 2010.

The effect on the accompanying financial statements has not been determined.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# MENOMINEE AREA PUBLIC SCHOOLS

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Local Sources	\$ 1,976,834	\$ 2,007,494	\$ 2,019,720	\$ 12,226
State Sources	11,256,073	11,454,772	11,546,172	91,400
Federal Sources	399,163	430,394	401,859	(28,535)
Interdistrict and Other Sources	262,500	335,335	350,027	14,692
<b>Total Revenues</b>	<u>13,894,570</u>	<u>14,227,995</u>	<u>14,317,778</u>	<u>89,783</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Basic Programs	7,439,995	7,260,881	7,293,621	(32,740)
Added Needs	2,234,460	2,274,835	2,234,685	40,150
<b>Support Services:</b>				
Pupil	506,317	448,131	460,920	(12,789)
Instructional Staff	169,730	160,358	149,739	10,619
General Administration	531,391	518,425	523,751	(5,326)
School Administration	878,390	882,700	869,993	12,707
Business Service	184,091	194,152	194,835	(683)
Operating and Maintenance	1,600,928	1,556,184	1,518,448	37,736
Transportation	416,705	400,212	406,308	(6,096)
Central Services	328,879	314,758	304,037	10,721
Other	338,522	395,865	392,591	3,274
<b>Capital Outlay</b>	70,000	70,000	69,361	639
<b>Debt Service</b>	51,667	51,667	51,666	1
<b>Total Expenditures</b>	<u>14,751,075</u>	<u>14,528,168</u>	<u>14,469,955</u>	<u>58,213</u>
<b>DEFICIENCY OF REVENUE</b>				
<b>UNDER EXPENDITURES</b>	<u>(856,505)</u>	<u>(300,173)</u>	<u>(152,177)</u>	<u>147,996</u>
<b>OTHER FINANCING USES:</b>				
Operating Transfer Out	<u>(101,831)</u>	<u>(72,275)</u>	<u>(74,045)</u>	<u>(1,770)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(958,336)</u>	<u>(372,448)</u>	<u>(226,222)</u>	<u>146,226</u>
<b>FUND BALANCE - BEGINNING</b>	<u>2,114,999</u>	<u>1,872,623</u>	<u>2,258,428</u>	<u>136,341</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,156,663</u>	<u>\$ 1,500,175</u>	<u>\$ 2,032,206</u>	<u>\$ 282,567</u>

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2008

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**BUDGETS AND BUDGETARY ACCOUNTING:**

The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

- a. Based upon requests from District staff, District administration recommends budget proposals to the school board.
- b. The school board prepares a proposed budget for the fiscal year, including proposed expenditures and the means of financing them.
- c. Pursuant to a public budget hearing, the school board may make alterations to the proposed budget.
- d. Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire school board.
- e. Appropriations lapse at year-end unless authorized as a carryover by the school board. The portion of fund balance representing carryover appropriations is reported as a reserved fund balance.

**BASIS OF ACCOUNTING:**

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

General Fund:

Instructional:

Basic Programs	\$ 32,740
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Support Services:

Pupil	12,789
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General Administration	5,326
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Business Services	683
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Transportation	6,096
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Operating Transfers Out	1,770
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## **SUPPLEMENTARY INFORMATION**

# MENOMINEE AREA PUBLIC SCHOOLS

Combining Balance Sheet  
Nonmajor Governmental Funds  
As of June 30, 2008

	Special Revenue		Debt Service			Capital Projects		
	Food Service	2003 Bond Issue	1992 Bond Issue	Durant Bond Issue	Blesch Stadium Restoration	Building & Site	Total	
<b>ASSETS:</b>								
Cash and Investments	\$ 61,710	\$ 180,578	\$ 22,632	\$ -	\$ 17,421	\$ 43,822	\$	326,163
Receivables	5,417	2,612	-	-	-	-		8,029
Due From Other Funds	6,413	50,685	-	-	-	-		57,098
Inventory	12,017	-	-	-	-	-		12,017
<b>TOTAL ASSETS</b>	<u>\$ 85,557</u>	<u>\$ 233,875</u>	<u>\$ 22,632</u>	<u>\$ -</u>	<u>\$ 17,421</u>	<u>\$ 43,822</u>	<u>\$</u>	<u>403,307</u>
<b>LIABILITIES AND FUND BALANCES:</b>								
<b>Liabilities:</b>								
Deferred Revenue	\$ 5,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$	5,568
Due To Other Funds	-	-	156	-	8,946	43,692		52,794
<b>Total Liabilities</b>	<u>5,568</u>	<u>-</u>	<u>156</u>	<u>-</u>	<u>8,946</u>	<u>43,692</u>		<u>58,362</u>
<b>FUND BALANCES:</b>								
Reserved	12,017	233,875	22,476	-	-	-		268,368
Unreserved-Designated	-	-	-	-	8,475	130		8,605
Unreserved-Undesignated	67,972	-	-	-	-	-		67,972
<b>Total Fund Balances</b>	<u>79,989</u>	<u>233,875</u>	<u>22,476</u>	<u>-</u>	<u>8,475</u>	<u>130</u>		<u>344,945</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 85,557</u>	<u>\$ 233,875</u>	<u>\$ 22,632</u>	<u>\$ -</u>	<u>\$ 17,421</u>	<u>\$ 43,822</u>	<u>\$</u>	<u>403,307</u>

# MENOMINEE AREA PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	Special Revenue	Debt Service			Capital Project		
	Food Service	2003 Bond Issue	1992 Bond Issue	Durant Bond Issue	Blesch Stadium Restoration	Building & Site	Total
<b>REVENUES:</b>							
Local	\$ 324,891	\$ 729,302	\$ -	\$ -	\$ 14,505	\$ -	\$ 1,068,698
State	21,299	-	-	-	-	-	21,299
Federal	271,389	-	-	-	-	-	271,389
Interdistrict and Other Sources	-	13,211	939	-	226	1,734	16,110
<b>Total Revenues</b>	<b>617,579</b>	<b>742,513</b>	<b>939</b>	<b>-</b>	<b>14,731</b>	<b>1,734</b>	<b>1,377,496</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
Business Service	609,357	-	-	-	-	-	609,357
<b>Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,945</b>	<b>80,692</b>	<b>130,637</b>
<b>Debt Service:</b>							
Principal Retirement	-	590,000	-	-	-	-	590,000
Interest and Other	-	207,343	400	-	-	-	207,743
<b>Total Expenditures</b>	<b>609,357</b>	<b>797,343</b>	<b>400</b>	<b>-</b>	<b>49,945</b>	<b>80,692</b>	<b>1,537,737</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,222</b>	<b>(54,830)</b>	<b>539</b>	<b>-</b>	<b>(35,214)</b>	<b>(78,958)</b>	<b>(160,241)</b>
<b>OTHER FINANCING SOURCES:</b>							
Transfers In	1,831	-	-	-	35,214	37,000	74,045
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,053</b>	<b>(54,830)</b>	<b>539</b>	<b>-</b>	<b>-</b>	<b>(41,958)</b>	<b>(86,196)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>69,936</b>	<b>288,705</b>	<b>21,937</b>	<b>-</b>	<b>8,475</b>	<b>42,088</b>	<b>431,141</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 79,989</b>	<b>\$ 233,875</b>	<b>\$ 22,476</b>	<b>\$ -</b>	<b>\$ 8,475</b>	<b>\$ 130</b>	<b>\$ 344,945</b>

# MENOMINEE AREA PUBLIC SCHOOLS

## Schedule of Revenues, Expenditures and Changes in Fund Balance

### Capital Projects Fund

For the Year Ended June 30, 2008

	Central Elementary	Lincoln Elementary	High School	Blesch	Blesch Stadium Restoration	Total
<b>REVENUES:</b>						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 14,505	\$ 14,505
Investment Earnings	65	302	735	632	226	1,960
<b>Total Revenues</b>	<u>65</u>	<u>302</u>	<u>735</u>	<u>632</u>	<u>14,731</u>	<u>16,465</u>
<b>EXPENDITURES:</b>						
Repair & Restripe Parking Lots	2,702	3,718	11,530	4,050	-	22,000
Vegetation Control	360	361	361	361	-	1,443
Bleacher and Wall Restoration	-	-	-	-	49,945	49,945
Hall Wall to Glass	-	-	4,797	-	-	4,797
Curtain - Lecture Hall	-	-	4,300	-	-	4,300
Move Lights in Parking Lot	-	-	-	5,276	-	5,276
Rebuild Steps and Sidewalk	-	-	-	6,018	-	6,018
Replace Sidewalks	-	-	-	6,600	-	6,600
Replace Auditorium Doors	-	-	-	5,147	-	5,147
Bathroom Partitions	-	9,941	-	-	-	9,941
Black Top Repair-Bus Garage	-	-	13,170	-	-	13,170
Repair South Parking Lot	-	-	-	2,000	-	2,000
<b>Total Expenditures</b>	<u>3,062</u>	<u>14,020</u>	<u>34,158</u>	<u>29,452</u>	<u>49,945</u>	<u>130,637</u>
<b>DEFICIENCY OF REVENUE UNDER EXPENDITURES</b>	<u>(2,997)</u>	<u>(13,718)</u>	<u>(33,423)</u>	<u>(28,820)</u>	<u>(35,214)</u>	<u>(114,172)</u>
<b>OTHER FINANCING SOURCES:</b>						
Transfers In	1,369	6,438	15,688	13,505	35,214	72,214
<b>Total Other Financial Sources</b>	<u>1,369</u>	<u>6,438</u>	<u>15,688</u>	<u>13,505</u>	<u>35,214</u>	<u>72,214</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,628)</u>	<u>\$ (7,280)</u>	<u>\$ (17,735)</u>	<u>\$ (15,315)</u>	<u>\$ -</u>	<u>\$ (41,958)</u>

## **ADDITIONAL REPORTS**



# KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson St., P.O. Box 75 • Marinette, WI 54143

(715) 735-9321 • Fax (715) 735-5899

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Menominee Area Public Schools  
Menominee, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Menominee Area Public Schools, (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings as finding #08-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Education  
Menominee Area Public Schools

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

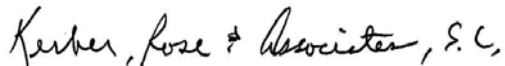
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 13, 2008.

This report is intended solely for the information and use of the District's Board, management, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**KERBER, ROSE & ASSOCIATES, S. C.**

**Certified Public Accountants**

October 13, 2008



**KERBER, ROSE & ASSOCIATES, S.C.**  
**Certified Public Accountants**  
1727 Stephenson St., P.O. Box 75 • Marinette, WI 54143  
(715) 735-9321 • Fax (715) 735-5899

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Menominee Area Public Schools  
Menominee, Michigan

**Compliance**

We have audited the compliance of Menominee Area Public Schools, (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but

To the Board of Education  
Menominee Area Public Schools

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's Board, management, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**  
**Certified Public Accountants**

October 13, 2008

## **FEDERAL AWARDS SECTION**

**MENOMINEE AREA PUBLIC SCHOOLS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Federal CFDA Number	Approved Grant/Award Amount	Accrued (Deferred) Revenue 7/1/2007	Current Year Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Michigan Department of Education:</b>				
<b>Title I Part A</b>				
061530 0607	84.010	\$ 12,801	\$ 2,957	\$ -
071530 0607	84.010	285,660	55,590	-
081530 0708	84.010	308,617	-	300,540
<b>Total Title I</b>		<u>607,078</u>	<u>58,547</u>	<u>300,540</u>
<b>Title II Part A</b>				
070520 0607	84.367	99,299	28,491	-
080520 0708	84.367	99,306	-	81,684
<b>Total Title II Part A</b>		<u>198,605</u>	<u>28,491</u>	<u>81,684</u>
<b>Title II Part D</b>				
084290 0708	84.318	2,763	-	2,164
<b>Total Title II Part D</b>		<u>2,763</u>	<u>-</u>	<u>2,164</u>
<b>Title V Part A</b>				
060250 0607	84.298	803	796	-
070250 0607	84.298	402	386	-
080250 0708	84.298	387	-	387
<b>Total Title V Part A</b>		<u>1,592</u>	<u>1,182</u>	<u>387</u>
<b>MIBLSI Fund</b>	84.027A	6,000	-	13,743
<b>Total Passed Through Michigan Department of Education</b>		<u>816,038</u>	<u>88,220</u>	<u>398,518</u>
<b>Passed Through Intermediate School Districts</b>				
Safe and Drug Free Schools	84.186	-	-	3,342
<b>Total Passed Through Intermediate School District</b>		<u>-</u>	<u>-</u>	<u>3,342</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>\$ 816,038</u>	<u>\$ 88,220</u>	<u>\$ 401,860</u>

See Notes to the Schedule of Expenditures of Federal Awards

<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2008</u>
\$ 2,957	\$ -
55,590	-
<u>231,200</u>	<u>69,340</u>
<u>289,747</u>	<u>69,340</u>
28,491	-
<u>57,634</u>	<u>24,050</u>
<u>86,125</u>	<u>24,050</u>
-	<u>2,164</u>
<u>-</u>	<u>2,164</u>
796	-
386	-
<u>-</u>	<u>387</u>
<u>1,182</u>	<u>387</u>
<u>16,335</u>	<u>(2,592)</u>
<u>393,389</u>	<u>93,349</u>
<u>3,342</u>	<u>-</u>
<u>3,342</u>	<u>-</u>
<u>\$ 396,731</u>	<u>\$ 93,349</u>

# MENOMINEE AREA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Federal CFDA Number	Approved Grant/Award Amount	Accrued (Deferred) Revenue 7/1/2007	Current Year Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Michigan</b>				
<b>Department of Education:</b>				
081950 Section 4 All Lunch	10.555	\$ 29,912	\$ -	\$ 29,912
071950 Section 4 All Lunch	10.555	3,709	-	3,709
081960 Section II Free and Reduced	10.555	133,336	-	133,336
071960 Section II Free and Reduced	10.555	16,646	-	16,646
<b>Total</b>		183,603	-	183,603
081970 National School Lunch BKF	10.553	44,441	-	44,141
071970 National School Lunch BKF	10.553	4,346	-	4,346
<b>Total</b>		48,787	-	48,487
Entitlement Commodities	10.550	33,140	-	33,140
Bonus Commodities	10.550	6,159	-	6,159
<b>Total</b>		39,299	-	39,299
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		271,689	-	271,389
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		\$ 1,087,727	\$ 88,220	\$ 673,249

## Notes:

(1) Significant accounting policies, see financial statement notes.

(2) The amounts reported on the R7120, Grant Section Auditor's Report, reconcile with this schedule.

See Notes to the Schedule of Expenditures of Federal Awards

<b>Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue 6/30/2008</b>
\$ 29,912	\$ -
3,709	-
133,336	-
16,646	-
183,603	-
44,141	-
4,346	-
48,487	-
33,140	-
6,159	-
39,299	-
271,389	-
<u>\$ 668,120</u>	<u>\$ 93,349</u>

**MENOMINEE AREA PUBLIC SCHOOLS**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008

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**NOTE 1 - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Menominee Area Public Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – GRANT RECONCILIATION**

The amounts reported on the R7120, Grants Section Auditors Report, and the Cash Management System (CMS), Grant Auditors Report, agree with the Schedule of Expenditures of Federal Awards.

**MENOMINEE AREA PUBLIC SCHOOLS**

Schedule of Findings  
For the Year Ended June 30, 2008

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**Section I – Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Significant deficiencies disclosed Yes

Significant deficiencies identified that are not  
considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

**Federal Awards:**

Internal control over major programs:

Significant deficiencies disclosed? No

Significant deficiencies identified that are  
not considered to be material weaknesses? N/A

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required to be  
reported with Section .510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.010	Title I Part A
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Dollar threshold used to distinguish between  
type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

# **MENOMINEE AREA PUBLIC SCHOOLS**

## **Schedule of Findings For the Year Ended June 30, 2008**

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### **Section II – Financial Statements Findings**

#### **#08-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

Criteria: Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the District rests with the District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Menominee Area Public Schools. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the District's annual financial statements and notes to the financial statements in accordance with GAAP. The District relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the District consider obtaining proper training for the appropriate members of the District's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. This understanding is essential for the District's administration to be able to accept responsibility for the amounts and disclosures included in the District's financial statements.

Corrective Action Response: Management of the District is aware of this deficiency and will continue to look for opportunities to increase our understanding of the requirements of preparing GAAP financial statements. However, at this time we believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**MENOMINEE AREA PUBLIC SCHOOLS**

Schedule of Findings  
For the Year Ended June 30, 2008

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**Section III – Federal Award Findings and Questioned Costs**

None

**MENOMINEE AREA PUBLIC SCHOOLS**

Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2008

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There were no findings disclosed for the prior year.



# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

1727 Stephenson St., P.O. Box 75 • Marinette, WI 54143  
(715) 735-9321 • Fax (715) 735-5899

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October 13, 2008

Board of Education  
Menominee Area Public Schools  
Menominee, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menominee Area Public Schools (District) for the year ended June 30, 2008, and have issued our report dated October 13, 2008. Professional standards require that we provide you with the following information related to our audit. This letter is divided into three components – required communications under professional auditing standards, prior year observations and current year observations.

## **REQUIRED COMMUNICATIONS**

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated July 31, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our various conversations about planning matters.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Menominee Area Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were 1) estimating the useful lives of fixed assets and method of depreciation and 2) estimating compensated absences and post employment benefits. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit we proposed twenty-eight adjustments to the District's general ledger. The material misstatements detected as a result of audit procedures were corrected by management and are included in the attached schedule.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 13, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting

principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2008, we considered the District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the following deficiency to be a significant deficiency in internal control.

### **Financial Accounting and Reporting**

One of the components of internal control over financial reporting is that the District be sufficiently knowledgeable to record the entity’s financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the company’s financial statements in accordance with those accounting principles. While the District is capable of recording the cash receipts and disbursements, it does not have the training in GAAP to record the necessary accruals and to prepare financial statements including the related notes in accordance with GAAP. Consequently, during our audit we prepared the Company’s financial statements and related notes. This matter is common in most small Districts since they do not have the resources to devote to this area of internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. We believe that the financial accounting and reporting deficiency described above constitute a material weakness.

## **PRIOR YEAR OBSERVATIONS**

### **Payroll**

The payroll register should be approved by a supervisor before payroll checks are printed.

#### **Status**

This remains an issue that should be addressed by management.

### **Expense Reports**

There was a delay in obtaining supporting documentation and receipts on expense reports prior to reimbursement checks being issued.

#### **Status**

This issue has been addressed and implemented.

### **Athletic Event Receipts**

There were not adequate controls over ticket sales. Volunteers selling tickets should count the monies received and prepare a transmittal sheet showing the total collected. Two unrelated individuals should count and verify the amount received by signing the transmittal sheet. This amount received should be reconciled to the number of tickets sold.

#### **Status**

This issue was not implemented in fiscal year 2008. However, management has indicated that this is currently being addressed.

## **CURRENT YEAR OBSERVATIONS**

### **Student Activity Accounts**

Student activity funds are established to account for monies used to support the activities of student organizations and clubs. The students in the organization are involved in the management of their funds. The funds are under the control of the school board which has a fiduciary responsibility to establish and enforce policies and procedures to safeguard agency assets. District activity funds, in contrast, consist of co-curricular activities in which students participate, but are administered by the school district. If the district determines the use, the proceeds should be accounted for with other district funds in the district's accounts. Convenience funds, such as sunshine funds, faculty or coffee funds are not student related and have no statutory authority for a district to maintain on its general ledger. The district should examine each student activity account for proper classification and, further, develop policies to identify inactive accounts and distribute funds from inactive accounts and clearly communicated to each organization.

### **Actuarial Study**

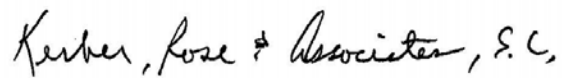
We would like to remind management that the District have an actuarial study completed for the implementation of the new GASB 45 requirement dealing with recording other post employment benefits on the District-wide financial statements.

### **Closing**

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with key members of management, and will be pleased to discuss them in further detail or assist with implementation.

We thank you for allowing us to be of service to Menominee Area Public Schools.

**KERBER, ROSE & ASSOCIATES, S.C.**

A handwritten signature in cursive script that reads "Kerber, Rose & Associates, S.C.".

Bradley R. Walters, CPA